

Meeting Report
Budget Review Meeting
Saturday, October 23, 2010
Penn Room

Attending: V. Spencer, J. Waltman, F. Acosta, L. Kelleher, M. Goodman-Hinnershitz, D. Sterner, S. Marmarou, F. Denbowski, C. Younger, C. Geffken, C. Weidel, W. Heim, D. Robinson, D. Cituk

Mr. Acosta, Finance Committee Chair, called the meeting to order at 9:08 a.m.

Follow-up Budget Questions

Auditor Items

1. **Franchise Fee** – Mr. Cituk recommended reducing the Franchise Fee to \$705,000 for 2011, based on trend and the economy. He stated that \$805,000 is projected; however, the average collected over the past few years is \$725,000.
2. **Traffic Fines** – Mr. Cituk recommended increasing this line item to \$315,000. The original projection is \$205,000. He asked Chief Heim to provide the detail on the cost of the ticket process including the cost of the officer if the ticket is appealed to the MDJ.
3. **Admissions Tax** – Mr. Cituk recommended increasing this line item by \$30,000 to \$480,000. Mr. Spencer stated that the Convention Center Authority has seen a dramatic decrease in incoming revenue as the economy has driven ticket sales down. He noted that the Authority had to obtain assistance from the reserve to cover the financial gap and reduce staff by one-half.

Washington County Bond – Mr. Geffken will provide a report on Monday, October 25

Employee Health – Mr. Geffken reported that a spreadsheet has been prepared to explain the new healthcare package to employees. The spreadsheet will be distributed before the end of November. He distributed a copy of the spreadsheet.

Ms. Goodman-Hinnershitz requested information on the cost of a “Major Medical” type package where the medical expenses are paid by the employee then reimbursed on a percentage basis after the deductible is reached. Mr. Geffken explained that the new package will apply in 2011 to non-represented employees, IAFF employees and 1st Level Supervisors. He stated that the best plan is similar to the PPO plan currently in place.

Mr. Sterner asked Mr. Geffken if the City is exploring the possibility of buying into a healthcare plan used by the County or the School District, as both entities have more employees than the City and may therefore; obtain better rates. Mr. Geffken stated that he is only aware of the City's participation in the Five City study for healthcare. He added that the City reviews healthcare costs annually.

Property Tax Billing and Collection – Mr. Geffken distributed a handout showing the current and future (proposed) property tax collection expenses. Mr. Waltman noted that the City's current collection expenses are charged to the delinquent property owner and then reimbursed to the City by Portnoff. He expressed concern that using the Tax Claim Bureau will delay the City's receipt of tax revenue.

Ms. Kelleher stated that the gap between billing and collection caused the City to begin using Portnoff approximately 10 years ago. She stated that as requested, she contacted other municipalities about their collection practices. She noted the difficulty of comparing smaller municipalities who have more owner occupied properties with Reading who has more non-owner occupied properties. She stated that on the whole most smaller municipalities use the Tax Claim Bureau and they receive their tax revenue in 2-3 years; however, they employ aggressive collection of Per Capita, LST, EIT, etc. to bridge the revenue gap. Ms. Kelleher also stated that the only City to respond was Bethlehem, who stopped using the Tax Claim Bureau in 1999 and retained the services of Portnoff.

Mr. Waltman requested information on the operational cost of property tax billing and collection and the impact that will have on revenue annually.

Mr. Acosta stated that the Tax Claim Bureau does not allow payment plans and questioned if the lack of a payment plan would reduce a property owner's ability to pay. He suggested asking the County to allow partial payments and payment plans.

EIT

Ms. Weidel stated that the City collects 100% of the EIT owed. She explained that employers are required to remit EIT withholdings quarterly. There was a discussion on the formula used to base projected resident and commuter EIT. Ms. Weidel stated that the projection is based on collections. She added that she is unsure about the number of people or businesses who do not remit EIT withholdings.

Mr. Geffken and Ms. Kelleher reported that PFM advised the City to pass the Commuter Tax Ordinance along with a resolution to authorize the filing of a petition to seek the Court's assistance for the Commuter Tax. Ms. Kelleher stated that the Court

date for the unfunded debt was set approximately seven weeks from the date the petition was filed. She noted the need to have the Court's approval for the Commuter Tax by the beginning of December.

Ms. Weidel stated that the City expects to obtain approximately \$2.5M in Commuter Tax revenue in 2011. The City will receive three quarterly payments beginning in the Spring. Payment for the 4th quarter will be received in January 2012.

Mr. Acosta asked Mr. Geffken to submit responses to the follow-up questions in writing to avoid lengthy discussions. He stated that Council can then review the written response and ask further questions where need be. Mr. Waltman noted the need to dedicate time to discuss the EIT and Property Tax issues.

Police

Chief Heim distributed information on the City crime statistics which show a significant reduction in Part 1 crime (homicides, shootings, violent crimes and property crimes), along with an organizational breakdown on the current police staff.

Mr. Geffken stated that the Police MMO has decreased by \$500,000, which will allow the Administration to reinstate six (6) police officers. He explained that the decrease occurred after the Police Pension Actuary found an error in the formula used.

Chief Heim stated that to avoid reduced service and the potential increase in crime, the City needs to employ 188 police officers. He said that he cannot assure service levels with the proposed 169 officers. He requested that the 2011 number be set at 179. He stated that based on calls for service the City should have approximately 107 sworn police officers in the patrol area. The City currently has 88 officers in patrol. He added that there are 29 support positions. The Act 47 Recovery Plan suggests reducing that number by nine (9) through position eliminations, shifting to civilians and shifting dispatch to the County. He explained that if the City eliminates dispatch, we will lose prioritization control over calls for service. He also objected to shifting the crime scene officers to the County as again the City will lose all control of that function.

Chief Heim stated that the actual cost of a police officer (salary and benefits) is \$108,000. He noted that the Kenhorst police services contract allowed the City to retain four (4) police officers last year. He also stated that the contract with the Reading School District also covers the salaries of four (4) police officers. He noted that while the Administration's position is that the City cannot employ more officers than it can afford, he believes that the City cannot afford to reduce the number of officers to a point that would compromise the department's ability to fight crime.

Mr. Geffken stated that the city would need to find \$648,000 to retain 6 additional police officers.

Ms. Weidel left the meeting.

Chief Heim explained that the “per capita” method of determining the size of the police department is no longer used.

Mr. Waltman inquired if adding police officers would decrease the overtime expense. Chief Heim replied that the overtime expense has been reduced. He added the overtime expense covers things like court time and sick coverage. He stated that new programs to reduce sick time are being explored. He also stated that the City has reduced the number of officers to provide additional coverage for events held at the Sovereign Center, First Energy Stadium, etc.

Council asked the Administration to explore reestablishing night court to reduce overtime costs related to court hearings.

Mr. Geffken stated that outsourcing dispatch and central records will save approximately \$980,000; however loss of control will occur.

Chief Heim stated that although the Administration believes that the City will not see a significant increase in officer retirements, he believes that this is a large threat. He explained that approximately 70 officers are eligible for retirement and an additional 20 can retire with partial benefits. He stated that although officers have been verbally assured that there will be minimal impact to their benefit packages; many officers believe it would be best to retire now. He stated that if the majority of those eligible actually retire the City will not be able to replace them on a timely basis, which will create a wider gap in police coverage.

Council requested a contingency plan that would provide police coverage if a large number of officers retire.

The Chief stated that he can run two (2) academy tracks at the same time; however, he warned that it takes approximately nine (9) months to get an officer on the street (5 months in the academy and 4 months in field training). He also added that the number of officers entering the academy is based on a percentage of those who pass the qualifying examinations during the application process.

The meeting concluded at approximately 12:35 pm.

Respectfully submitted by Linda A. Kelleher CMC, City Clerk